



Department of Defense INSTRUCTION

AD-A272 162

November 17, 1987
NUMBER 5010.37



ASD(FM&P)

SUBJECT: Efficiency Review, Position Management, and Resource Requirements
Determination

- References:
- (a) DoD Instruction 5010.37, "Efficiency Review and Resource Requirements Determination," February 7, 1985 (hereby canceled)
 - (b) DoD Directive 5010.31, "DoD Productivity Program," April 27, 1979
 - (c) DoD Directive 1400.26, "Position Management," July 28, 1979
 - (d) "Department of Defense Manpower Requirements Report," FY 88
 - (e) through (s), see enclosure 1

A. REISSUANCE AND PURPOSE

1. This Instruction reissues and retitles reference (a) under reference (b) to update policy, criteria and procedures, guidance, and responsibilities for the DoD efficiency review (ER) process, work measurement, labor and staffing standards development, resource requirements determination, and position management throughout the Department of Defense.

2. This Instruction also sets policy for requirements determination of the programmed force structure, the programmed manpower structure, programmed manning, and position management (reference (c)).

3. This Instruction provides the authority to publish and maintain the following publications in the DoD Directives System:

a. DoD 5010.31-H, "Training Guide for the Management Analyst and Industrial Engineering Technician."

b. DoD 5010.37-H, "Operational Improvement and Measurement."

B. APPLICABILITY AND SCOPE

1. This Instruction applies to the Office of the Secretary of Defense (OSD), the Military Departments, the Organization of the Joint Chiefs of Staff (OJCS), the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

2. This Instruction is mandatory for auxiliary and support activities and selected functions in strategic, tactical, and mobility units and shall be applied to other strategic, tactical, and mobility units and organizations as applicable. (See "Department of Defense Manpower Requirements Report," FY 88 (reference (d)).)

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3. For the purpose of position management, this Instruction encompasses all General Schedule (GS), Federal Wage System (FWS) employees, and those military positions in integrated civilian and/or military organizational units.

4. Exemption from any of the requirements of this Instruction must be obtained from the Office of the Assistant Secretary of Defense (Force Management and Personnel) (OASD (FM&P)).

C. DEFINITIONS

Terms used in this Instruction are defined in enclosure 2.

D. POLICY

It is DoD Policy that:

1. DoD Components shall manage, provide resources, and evaluate activities based on output performance requirements and standards documented in performance work statements (PWSs). The ER process shall be the basis for continued and directed efforts for productivity, performance, efficiency and effectiveness improvement. The ER process supports the DoD Productivity Program under DoD Directive 5010.31 (reference (b)).

2. Resource requirements to accomplish the output(s) established in the PWS shall be determined based on implementation of the most efficient organization (MEO), structured to achieve economy, efficiency of operations, effective employee utilization, optimum mix of staffing (OMB Circular A-11, reference (e)), and proper classification of civilian positions (Title 5, United States Code (reference (f))). Recognized and applicable techniques of work measurement (references (b) and (e)) and DoD Instruction 5010.34, DoD Directive 1100.4, Mil Std 1567 A, DoD Directive 4165.64, DoD Manual 5010.15.1-M (references (g) through (k)), and guidance in this instruction shall be employed to establish both the labor and staffing standards required to determine resources requirements.

3. The process of determining and establishing the most efficient method and organization shall include the impact of labor-capital substitution programs (capital investments), excellent installation initiatives, work force motivation initiatives, value engineering and/or value analysis, commercial activities studies, regional support studies, beneficial suggestions, position management; and other resource determination, productivity, and management improvement programs.

4. The DoD Components shall establish applicable incentive systems for the reallocation of resource adjustments as a result of performing an ER.

5. Managers, employees, union, and other employee representatives should be informed of the ER process to ensure understanding of the ER objectives, to provide an opportunity to contribute to the improvement process, and to gain support for implementation. The responsibility and accountability for the organization of work and position management are assigned explicitly to line managers and supervisors at all applicable levels of the Department of Defense for positions under their control. The ER process shall be consistent with and support affirmative action social programs.

6. Position management and productivity improvement shall be included in the performance evaluation criteria for both military and civilian managers and supervisors.

E. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Force Management and Personnel (ASD (FM&P))) shall:

a. Maintain oversight of the ER, requirements determination, and position management process to ensure implementation of this Instruction.

b. Evaluate program results and training requirements, and provide additional guidance, as necessary.

c. Develop, maintain, and publish DoD 5010.15.1-M (reference (k)) and a DoD Handbook on "Operational Improvement and Measurement."

2. The Heads of DoD Components shall:

a. Develop and maintain procedures to ensure compliance with this Instruction.

b. Designate an official to be the central point of contact who shall oversee and monitor the DoD Component ER process.

c. Provide resources to ensure the continuing effectiveness of the ER process and to ensure continually that positions, functions, and organizations are structured to optimize efficiency, productivity, and effectiveness and to establish and maintain both labor and staffing standards (subsection D.2, above). Activities must be reviewed at least once every 5 years.

d. Ensure that the programmed manpower structure, programmed manning, and budgets for resource requirements are based on the most recent ER and reflect the implementation of ER recommendations.

e. Ensure that reviews and audits are conducted as required to ensure that program integrity is maintained, that expected benefits are realized, and that the standards and criteria established in the PWS are being adhered to.

f. Ensure that merit pay, pay increases, recognition, and awards programs criteria are consistent with performance standards developed during the ER process.

g. Ensure that the integrity of position management is maintained during the intervals between ERs and in organizations and functions exempt from or not subject to an ER.

F. PROCEDURES

1. An ER shall employ a structured and disciplined approach to establishing the most efficient organization. This approach shall include, but need not be limited to:

a. A performance work statement that shall:

- (1) Identify authorized products or services of the activity.
- (2) Establish standards for quality, quantity, and timeliness of the output.

b. A study and analysis that shall:

- (1) Determine whether an activity can be consolidated, transferred, or eliminated.
- (2) Streamline or eliminate existing rules, regulations, and procedures that inhibit productivity improvement.

(3) Provide procedure to establish the most effective and efficient organizations, systems, and methods consistent with the standards established in the PWS. This process must consider the full spectrum of resource determination, productivity, and management improvement programs (subsection D.3., above). Specific consideration must be given to the organizational structure to avoid organizational fragmentation, excessive layering, and excessive use of deputies and assistants. Proper job design, correct job assignments, efficient work methods, and the proper distribution of resources avoid unnecessary work and the assignment of outmoded tasks. These procedures must include the incorporation and application of both labor and staffing standards as essential elements necessary to establish the MEO and to determine resource requirements and costs.

(4) Identification and correction of inefficient workplace layout and/or design, inadequate facilities, excessive waste or scrap and the use of inadequate or obsolete equipment require consideration during the ER process. The impact of these actions on other work centers or activities should be carefully analyzed during the study.

c. A report that shall:

- (1) Recommend improvements necessary to establish the MEO and supporting data for the recommendations.
- (2) Include an implementation plan that includes a schedule of actions necessary to implement the recommendations, assignment of implementation responsibilities, and a schedule and plan for establishing, revising, and maintaining labor and staffing standards.
- (3) Include a statement of resources required to accomplish the work based on the revised labor and staffing standards resulting from the MEO.
- (4) Project changes in the cost of the operation when all recommendations are implemented.

d. Implementation of recommendations that:

- (1) Make necessary changes to equipment, systems, methods, organizations, procedures, processes, rules, regulations, staffing and labor standards, personnel, and other resources necessary to achieve the MEO.

(2) Track resultant changes when implementation occurs.

2. During the ER process, consider supervisory to nonsupervisory positions (including any military positions integrated in civilian-military organizations or units), full performance-level to development-level positions, professional to technical positions, and professional and technical positions to clerical support positions.

3. The ER process is not complete for reporting purposes until approved changes and modifications to the programmed manpower structure and the programmed manning documents have been accomplished, and the revised staffing has been realized.

4. Approaches and techniques applicable to ERs, detailed labor standards, staffing and other resource requirements determination, position management, and other management improvement actions not included in this Instruction shall be included in Handbook DoD 5010.37-H and are included in OMB circular A-11; Title 5, United States Code; DoD Directives 1100.4, 4100.15, 4165.64, 4000.19, and 4245.8; DoD Instructions 5010.36, 5010.39, 5010.34, and 5120.16; Mil Std 1567 A; and DoD Manual 5010.15.1-M (references (e) through (q)).

G. INFORMATION REQUIREMENTS

1. DoD Components shall:

a. Submit to the ASD (FM&P) by November 15 of each year a summary report of all ERs that are ongoing and/or completed during the past fiscal year (enclosure 3). Only resource adjustments resulting from implementation of ER recommendations not from other management actions should be reported as ER savings. Savings generated and reported as other initiative during an ER should be so annotated in the ER report. (Do not double count savings claimed under productivity enhancing capital investment (PECI), workforce motivation, commercial activities studies, etc.)

b. Maintain, at a central point, the data to support the summary reports required.

c. Ensure that complete, accurate, and timely information on plans, trends, and accomplishments are maintained for use in reviewing the effectiveness of the process.

2. The impact of savings (enclosure 3, subsection (2)) shall be identified in budget submissions as specified in the DoD 7110.1-M (reference (r)), and supplementing guidance (Part II, Section 10, Chapter 2B10) of reference (r). This should include the reallocation of savings to another program area.

3. The summary report, "ER Savings," is assigned Report Control Symbol FMP (A) 1608 in accordance with DoD Directive 7750.5 (reference (s)).

H. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Forward two copies of implementing documents to the Assistant Secretary of Defense (Force Management and Personnel) within 120 days.



David J. Armor
Principal Deputy
Assistant Secretary of Defense
(Force Management and Personnel)

Enclosures - 3

1. References
2. Definitions
3. FY Efficiency Review Report

REFERENCES, continued

- (e) OMB Circular A-11, "Preparation and Submission of Budget Estimates," June 1987
- (f) Title 5, United States Code
- (g) DoD Instruction 5010.34, "Productivity Enhancement, Measurement, and Evaluation - Operating Guidelines and Reporting Instruction," August 4, 1975
- (h) DoD Directive 1100.4, "Guidance for Manpower Programs," August 20, 1954
- (i) Military Standard 1567A, "Work Measurement," March 11, 1983
- (j) DoD Directive 4165.64, "DoD Real Property Maintenance Activities Program," May 23, 1985
- (k) DoD 5010.15.1-M, "Standardization of Work Measurement," June 13, 1977 (11 volumes)
- (l) DoD Instruction 5010.36, "Productivity Enhancing Capital Investment," December 31, 1980
- (m) DoD Instruction 5010.39, "Work Force Motivation," November 16, 1984
- (n) DoD Directive 4100.15, "Commercial Activities Program," August 12, 1985
- (o) DoD Directive 4000.19, "Interservice, Interdepartmental, and Interagency Support," October 14, 1980
- (p) DoD Instruction 5120.16, "Department of Defense Incentive Award Program: Policies and Standards," July 15, 1974
- (q) DoD Directive 4245.8, "DoD Value Engineering Program," November, 1986
- (r) DoD Manual 7110.1-M, "Budget Guidance Manual," July 1985, authorized by DoD Instruction 7110.1, October 30, 1980
- (s) DoD Directive 7750.5, "Management and Control of Information Requirements," August 7, 1986

DEFINITIONS

1. Auxiliary Activities. Consists of those major Defense-wide activities conducted under centralized OSD control. Included are intelligence, centrally managed communications, research and development, and geophysical activities.
2. Capital Investment. The acquisition, installation, transportation, and other costs needed to establish and operate equipment or facilities meeting DoD capitalization requirements. (See DoD Instruction 5010.36, reference (l).)
3. Defense Work Measurement Standard Time Data Program. The DoD system to collect, compile, codify, and disseminate standard time data in a standard format for DoD use. The program provides a single source of data. (See Standard Time, definition 34.) (Details are in DoD 5010.15.1-M, General Guidance, reference (k).)
4. Effectiveness. The degree to which an operational objective is achieved. It measures qualitatively and quantitatively output against some standard, set of criteria, or end objective.
5. Efficiency. The ratio of standard performance time to actual performance time, usually expressed as a percentage.
6. Efficiency Review (ER). A structured approach to operational improvement.
7. Engineered Performance Standard (EPS). The time a trained worker or a group of trained workers, working at a normal pace, takes to produce a prescribed unit of work of an acceptable quality, according to a specified method, under specific working conditions. It is derived from a complete, objective analysis and measurement of the task by recognized work measurement techniques with a stated degree of statistical reliability and includes allowance for personal needs, fatigue, and delay (see Standard Time, definition 34).
8. Human Resource Requirements (Also known as manpower requirements). (See Programmed Manpower Structure and Programmed Manning definitions 26 and 27.) The human resources required, specified by quality and skill, to produce a specific amount of work, based on workload forecasts, standard time, and the efficient utilization of labor.
9. Implementation. (As applied to ER). The changing or modifying of methods, system, organizations, staffing, procedures, productivity, etc., which incorporate the recommendations of the MEO. Implementation includes the installation of new equipment, reduction of manpower, reduction in unit cost or a cost avoidance.
10. Incentive. A reward provided to individuals or groups that meet or exceed an established standard of quality and quantity of work produced.
11. Industrial Engineering. The design, improvement, and installation of integrated systems of human resources, materials, and equipment. It draws on specialized knowledge and skill in the mathematical, physical, and social sciences, together with the principles and methods of engineering analysis and design, to specify, predict, and evaluate the results to be obtained from such systems.

12. Job Standard. The time, as established by recognized work measurement techniques, required to complete a specified quantity of work. It indicates skills, equipment, and procedures to be used and includes all applicable allowances. Under this Instruction, this definition includes both labor and staffing standards (see Standard Time, definition 34).
13. Labor Efficiency. The ratio of actual performance numbers (such as the number of pieces produced or processed during a given time period) to standard performance numbers, for the same period, usually expressed as a percentage.
14. Labor Standard. The time allowed to produce a particular end product or service or group of products or services (for comparison, see definition 34, Standard Time).
15. Methods Improvement. One of the techniques of operational improvement that subjects each part of a given piece of work to close analysis to eliminate every unnecessary element and; thereby, to determine the best method of performance. It includes the improvement and standardization of equipment, working conditions, and operator's training; the determination of standard times; and, occasionally, devising and administering incentive plans.
16. Motivation. The factor that moves people to greater productivity and effectiveness when performing job tasks.
17. Nonengineered Time Standard. A standard computed by using one or more of the techniques of work measurement that do not meet the requirements of an engineered time standard as defined in this section (see Standard Time, definition 34).
18. Normal Time. The time required by a qualified worker to perform a task at a normal pace using a prescribed method. No allowances are included.
19. Operational Improvement (OI). The process of analyzing organizational relationships and methods of accomplishing work within an organization to improve timeliness or quality, increase output, or reduce the cost of the overall work process. A wide variety of analytical techniques may be employed in addressing operational improvement. Some of these techniques are methods improvement, value engineering, and operations research.
20. Performance Work Statement (PWS). Identifies what work is to be done to the maximum extent practicable without stating how to do it. It identifies standards of performance to be met in measurable terms and defines the allowable variance from those standards.
21. Personal, Fatigue, and Delay Allowances. The time allowed to compensate for attending to personal needs, for fatigue, and for delay occurring as a result of conditions beyond the worker's control. This time is in addition to the normal time required to accomplish a job. The inclusion of this allowance is common practice in the development of a labor standard (see DoD 5010.15.1-M, Basic Volume, Appendix II (reference (k))).
22. Position Management. The structuring of position, grades, and skill levels to provide an optimum balance among mission needs, economy, efficiency of operations, and effective utilization of personnel.

23. Productivity. The ratio of goods produced or services rendered (output) to resources expended (input).

24. Productivity Enhancing Capital Investment. A capital investment in equipment or facilities that shall raise the ratio of units of output to units of input for an organization or function. (See DoD Instruction 5010.36, (reference (1).))

25. Productivity-Based Incentive System (PBIS). Performance incentive programs under which employees may earn monetary bonuses on a continuing basis (bi-weekly, monthly, quarterly) for performance that exceeds preestablished performance standards. Properly designed, a PBIS accurately relates the reward to performance so that the amount of the bonus is proportionate to the degree to which the performance exceeds the standards (also known as a performance contingent pay system).

26. Programmed Force Structure. The set of units and organizations that exist in the current year, and which is planned to exist in each future year of the Five Year Defense Program (FYDP).

27. Programmed Manning. Those billets in the programmed manpower structure planned to be filled. The term "programmed manning" recognizes that 100 percent fill of the programmed manpower structure may not be always desirable or achievable within fiscal and manpower constraints. The term "programmed manning" is synonymous with:

- a. ARMY: force structure allowance and/or authorization
- b. NAVY: distributable billets
- c. USAF: force structure authorization, and funded peacetime authorizations
- d. USMC: authorization strength report

28. Programmed Manpower Structure. The aggregation of billets describing the full manning requirement for all units and organizations in the programmed force structure. This does not include individual mobilization augmentees or individuals.

29. Resource Requirements Determination. The process and procedures used to identify and match resources with specific workloads or tasks to ensure performance of the work efficiently and effectively (also known as work measurement).

30. Savings (Manpower). That part of total savings that is accomplished by such actions as manpower authorizations (billets) reduction and/or reassignments, grade and/or skill adjustments, overtime and other adjustments to either the programmed manpower structure or the programmed manning. Cost avoidance savings should be accounted for in the programmed manpower structure or the programmed manning or both.

31. Savings (Nonmanpower). That part of total savings resulting from such action as material costs reduction either by using different materials or reducing scrap or waste, a reduction in energy costs, and any other action not attributable as a manpower savings.

32. Savings (Total). For the purpose of efficiency review reporting, a saving is the reduction in expenses for completion of a specific task for a specific workload. It is determined by comparing costs before an efficiency review. The savings may be one or both of the following:

a. Hard Savings. Benefits that may precisely be measured, quantified, and placed under management control at time of realization. Hard savings normally are applied as specific reductions in manpower and budget dollar requirements.

b. Cost-Avoidance Savings. Benefits from actions that obviate the requirements for an increase in future levels of manpower or costs that would be necessary if present management practices were continued. The effect of cost-avoidance savings is the achievement of a given level of readiness at less staffing cost or the reduction of unit costs that results in the absorption of a growing workload at the same level of staffing or cost. Cost-avoidance savings may be included as supporting documentation for resource (manpower or dollars) requirements computations in annual budget.

33. Staffing Standards. A DoD Component-approved, quantitative and qualitative expression of personnel requirements. It identifies the human resources needed to do prescribed tasks and activities at varying levels of workload volume.

34. Standard Time. The amount of time required to accomplish a task as determined by the proper application of applicable operational measurement techniques. Generally established by applying applicable allowances to normal time. (See also Labor Standard, Engineered Performance Standard, and Job Standard, definitions 14, 7, and 12, respectively.)

35. Strategic. Consists of those nuclear offensive, defensive, and control and surveillance forces that have as their fundamental objective deterrence of and defense against nuclear attack upon the United States, our military forces and bases overseas, and our allies.

36. Support Activities. Consists of the base operating support function for both combat and support installation; centralized activities, services and organizations providing medical and personnel support; individual and joint support training; central logistics; management headquarters; federal agency support; and other centralized support activities.

37. Tactical/Mobility. Consists of the land forces (Army and Marine Corps), tactical air forces (Air Force, Navy and Marine Corps), naval forces (Navy), and mobility forces (Army, Air Force, and Navy).

38. Unit Costs. The cost of producing one item of a product or providing one unit of service. Unit costs are determined by dividing the total dollar value of inputs by the total number of outputs.

FY _____ EFFICIENCY REVIEW REPORT

Component and/or Agency: _____

(1) Reviews and Coverage

Report Year (RY)	<u>RY+1</u>	<u>RY+2</u>	<u>RY+3</u>	<u>RY+4</u>	<u>RY+5</u>	<u>RY+6</u>
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Reviews:

In Progress-Start
of Report Year*

Spaces:

Under Review-Start
of Report Year

Reviews:

In Progress-End
of Report Year

Spaces:

Being Reviewed-
End of Report Year

Reviews:

Scheduled for
Outyears **

Spaces:

Scheduled for
Review Outyears

* Only when study has actually started. Do not include those in planning stage.
** Should be only those reviews that are scheduled to start and scheduled in planning stage.

Component/Agency: _____

(2) Resource Adjustments² FY _____ FY _____ FY _____ FY _____

Manpower

Programmed Manpower
Structure
Military Spaces
Civilian Spaces

Programmed Manning
Military Spaces
Civilian Spaces

Other Manpower
(Overhires, Temps,
Part-Time, etc.)

Dollars

Programmed Manpower
Structure
Military Spaces
Civilian Spaces

Programmed Manning
Military Spaces
Civilian Spaces

Other Manpower
(Overhires, Temps,
Part-time, etc.)

Other Resource Adjustments

Savings (Non-Manpower)³
Total

1. Report Year is the past fiscal year.
2. Should be the net of pluses and minuses.
3. Include those savings in material, energy, etc., resulting directly from these productivity improvements.